

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.	DOCKET NO. SPU-04-1
--	---------------------

**ORDER APPROVING SETTLEMENT AND DIRECTING THE  
FILING OF PROPOSED TARIFFS**

(Issued August 12, 2004)

On January 14, 2004, the Iowa Joint Utility Management Program, Inc. (IJUMP), filed a motion with the Utilities Board (Board) requesting approval of proposed small volume transportation tariffs for MidAmerican Energy Company (MidAmerican) and Interstate Power and Light Company (IPL). In the alternative, IJUMP requested that the Board order MidAmerican and IPL to file proposed tariff pages consistent with the proposed small volume transportation tariffs attached to the motion. On January 15, 2004, IJUMP made a substituted filing that included a complete copy of the proposed tariffs.

On January 22, 2004, the Board issued an order docketing the filing as an application, setting a date for interventions, and shortening the time for answers. In the order the Board stated that it would not approve tariffs for a utility filed by another party. The Board made MidAmerican and IPL parties to this docket as Respondents pursuant to 199 IAC 7.2(7)"c."

Answers were filed by MidAmerican, IPL, and the Consumer Advocate Division of the Department of Justice (Consumer Advocate). IPL also filed a motion to dismiss. On February 6, 2004, IJUMP filed a response to MidAmerican's answer and a resistance to the motion to dismiss filed by IPL. On February 17, 2004, MidAmerican filed a reply to IJUMP's response.

On February 27, 2004, the Board issued an order denying IPL's motion to dismiss, scheduling a conference, and granting intervention to Cornerstone Energy, Inc. (Cornerstone). In the February 27, 2004, order, the Board addressed questions to the parties for discussion at the conference.

The conference was held as scheduled on April 6, 2004. The parties continued settlement negotiations after the conference and on July 23, 2004, IJUMP, Consumer Advocate, IPL, and MidAmerican filed a joint motion and settlement agreement proposing to resolve all of the outstanding issues in Docket No. SPU-04-1. Cornerstone in a separate pleading stated that it supported the proposed settlement.

On July 27, 2004, IJUMP filed a motion requesting the Board expedite the proceedings so that tariffs could be approved for service during the upcoming winter heating season. IJUMP states that expedited treatment is appropriate since the parties have filed a unanimous settlement of all issues.

The settlement agreement contains the following provisions:

1. That IPL and MidAmerican pilot programs should continue as provided in sample tariffs attached to the agreement as Appendices I and II.

2. That the Board should approve the settlement in its entirety without condition or modification.

3. That the pilot programs will allow the Board to accumulate sufficient data to determine, among other things if the pilots: a) are cost effective, b) result in less reliable service for the participants, c) create any disparate impact on non-participants, and d) create any undue financial hardship for the utilities. The parties agree to cooperate and provide information as requested by the Board to assist the Board in evaluating the pilots. Further, IPL will track associated internal costs.

Following is a summary of the changes to the existing MidAmerican and IPL pilot program tariff provisions that have been agreed to in the proposed settlement.

**IPL (Appendix I)**

A. Eligible Participants: In addition to the public schools and community colleges eligible under the current pilot tariffs, the settlement adds state and local governmental entities with heat-sensitive load as eligible customers. The volume requirement for eligible customers remains the same as it is under the current pilot at maximum daily service not to exceed 200 dekatherms (Dth).

B. Firm Delivery Service: The pilot includes a requirement that customers have primary firm delivery service on the interstate pipeline to the city gate. Customers must provide evidence of such upon request.

C. Term of Pilot: The pilot shall continue through August 1, 2007, unless customers become eligible for another small volume transportation program approved by the Board. At each anniversary date, the utility has the right to discontinue offering the service to new participants. If the pilot is terminated under this provision, existing participants will be allowed to continue in the program for the remainder of the original term of the tariff.

D. Return to System Service: Customers will be allowed to return to system supply by paying an administrative fee of \$50 (rather than \$500) if the customer notifies the company between May 1 and July 1 or by an otherwise agreed-upon date prior to November 1 of each year. The customer will be allowed to return to system supply based upon the best efforts basis of IPL unless the customer's supplier releases the customer's firm interstate pipeline capacity back to the utility.

#### **MidAmerican (Appendix II)**

A. Eligible Participants: In addition to the public schools and colleges included in the current pilot tariff, the settlement adds state, county, and city government accounts that are heat sensitive with predictable loads as eligible customers. The maximum allowable volume requirement doubles from the current

level of 10,000 Dth annually to 20,000 Dth annually. The minimum volume amount remains the same at 100 Dth (1,000 therms).

B. Term of Pilot: The term of the pilot shall begin September 1, 2004, and run through August 31, 2007, unless customers become eligible for another small volume transportation program approved by the Board. At each anniversary date, the utility has the right to discontinue offering the service to new participants. If the pilot is terminated under this provision, existing participants will be allowed to continue in the program for the remainder of the original term of the tariff.

C. Administrative Charge: The administrative charge cap of \$.25 per Dth will continue throughout the entire pilot period. The charge will continue to be trued-up annually. The administrative charge for the first year of the pilot will be \$.08 per Dth.

### **Board Discussion**

The Settlement Agreement incrementally expands the availability of transportation service under this tariff to state and local government entities with heat-sensitive usage. This was one of the issues the Board indicated it would address in the inquiry into risk management of natural gas bills in Docket No. NOI-03-5, In re: Review of Bill Risk Management for Natural Gas Customers. The issue was not addressed in Docket No. NOI-03-5 because this docket was opened to consider the same issue.

The draft tariff provisions in the settlement provide that an IPL pilot program customer, after proper notification, may return to system service by paying \$50. A MidAmerican pilot program customer would be allowed to return to system supply at any time and the customer is charged an administrative charge of \$0.08 per Dth for the first year with a cap of \$0.25 per Dth for the remainder of the pilot to cover this cost. The administrative charge will be trued-up annually during the pilot.

The Board finds that these two provisions are reasonable and address what has been seen as an impediment to small volume transportation in the past. Small volume customers have found it uneconomical to transport natural gas because of the charges by the utility for the service.

IPL and MidAmerican currently do not require a customer transporting under the pilot program to have daily metering and telemetry equipment. Requiring metering and telemetry would be an impediment to transportation by small volume customers. Metering and telemetry will not be required under the expanded pilot program.

The Board will approve the expansion of the pilot program to include governmental entities in order to allow those entities the opportunity to obtain any benefits that may be available from the transportation of natural gas. The settlement also provides the Board an opportunity to monitor how the utilities manage the pilot program. The current pilot program for schools has continued for several years and appear to have met the needs of those school districts that have chosen to transport

gas. Expansion of the program will provide governmental entities the same opportunity available to schools. At the conclusion of the pilot program, the Board will consider whether to expand this pilot, make it permanent, or whether there should be some other form of small volume gas transportation tariff made available to customers. The monitoring proposed in the settlement should provide the Board with at least some of the data necessary to make this decision.

Subrule 199 IAC 7.2(11) provides that the Board will not approve a settlement unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. The Board has considered the settlement presented by the parties and supported by Cornerstone and finds that it is reasonable. The agreement allows for the expansion of a pilot program for transportation of natural gas to state and local governmental entities. These entities will now have the same opportunity as schools to obtain any benefits that may be obtained from the transportation of natural gas. The settlement allows the Board to monitor the pilot program in order to gather the information necessary to decide how to proceed when the pilot ends.

The Board has developed a list of information requirements that will enable the Board to monitor the pilot. The Board will direct the utilities to provide this information on an annual basis. The Board may ask for additional information. The information addresses the issues of participation level, cost effectiveness, reliability, cross-subsidization, and the utilities' abilities to manage incremental expansions. The

following information should also be provided to Consumer Advocate at the same time it is filed with the Board.

1. Provide the number of customers who are eligible to take service under the pilot program tariffs each year.
2. Provide the participation levels of the school pilot program prior to implementation of the Settlement Agreement pilot and the current participation levels.
3. Provide the number of customers taking service under the pilot program who receive gas on the interstate pipeline system using firm service. Provide the number of customers that take service other than firm service and describe the type of service the customers receive.
4. Provide the names of the certified competitive natural gas providers (CNGPs) that provide service to customers under the pilot program and the number of customers each CNGP serves.
5. Provide a comparison of the delivered price per dekatherm of gas for customers under this pilot versus what those customers would have paid as system supply customers. These figures should be provided for each month during the year.
6. Provide a description of any instances of CNGP failure of supply and how each customer affected was provided service after the failure.



7. Provide, as accurately as possible, the revenue generated under the pilot program and the costs of offering the pilot program. Provide a breakdown of program costs and revenues for the 12-month period ending August 31, 2005, and each year thereafter.

8. Provide a description and discussion of any problems encountered in implementing the pilot program and the administration of the pilot program since implementation. Address whether the problem prevented any customer wanting service under the pilot program tariffs from receiving that service.

9. Provide the number of requests or inquiries received from small volume customers who are not eligible for the pilot programs. Indicate the reason the customer did not qualify for the program and how the utility responded to the request.

10. Provide an evaluation of the effectiveness of the pilot program in meeting the needs of schools and governmental entities eligible for the program.

**IT IS THEREFORE ORDERED:**

1. The settlement agreement filed by the Iowa Joint Utility Management Program, Inc., the Consumer Advocate Division of the Department of Justice, Interstate Power and Light Company, and MidAmerican Energy Company, on July 23, 2004, is approved.

2. Interstate Power and Light Company and MidAmerican Energy Company shall file proposed tariffs consistent with the settlement agreement approved in this order within 30 days of the effective date of this order.

3. Interstate Power and Light Company and MidAmerican Energy Company shall provide information as requested in this order within 30 days after the anniversary date of this order during the term of the pilot program plus one report after the pilot program is terminated.

**UTILITIES BOARD**

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 12<sup>th</sup> day of August, 2004.